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NPIC/TSSG/DED-1544-69
24 March 1969

MEMORANDUM FOR THE RECORD

SUBJECT: Analysis of Costs

1. The purpose of this memorandum is to suggest that a systems analysis be made of all NPIC operations.

2. Over 50 nations have prepared input-output analyses of their economies showing the relationships of each industry to the other and to the overall productivity of the country. Likewise, thousands of organizations have prepared similar analyses of their operations. Such analyses are, for both nations and organizations, indispensable in planning improvements and increases in outputs.

3. It is my contention that NPIC should prepare a systems analysis of its operations to show all its inputs and outputs, the relationships of its operations and the costs incurred. The total elapsed time to perform each task should also be determined.

4. Presently, decisions for the development of new equipment and procedures are made with only the vaguest understanding of the potential savings in cost or time. Many decisions regarding equipment procurement, manpower utilization, material substitutions, scheduling, etc. are made by all levels of supervision in all Divisions without the full benefit of knowing how these decisions affect the overall production cycle or costs. Some studies have been performed for particular operations but these studies are usually cursory and do not consider the indirect as well as direct affects of one operation on the other. The sensitivity of an input to costs and time are likewise unknown. For instance, the doubling of film input may intuitively indicate the doubling of PI requirements and photo lab requirements. This may not be so and the requirements may be increased by only 50 percent or perhaps by over 200 percent.

5. Such studies are not easy nor are they free of political ramifications. However, if a nation with a Gross National Product of over 900 billion dollars can be studied, certainly NPIC does not present an insurmountable task. I believe that such a study could be performed most advantageously by DED. It is not the purpose of this memorandum to discuss in detail the procedures for conducting a systems analysis

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nor to reveal the many problems that will undoubtedly be encountered. Rather, my purpose is to reiterate my convictions that such a study will be of great value to NPIC and, therefore, should be conducted.

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